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Tunisia

OILSEEDS

Oilseeds and Products Annual 2008

Approved By:
Hassan F. Ahmed

Prepared By:
Youssef Chahed

Report Highlights:

Tunisian olive oil production in MY 2008/09 was approximately 150,000 MT, about 25 percent lower than the year before. Overall edible oil imports went up sharply in 2008, owing mostly to increased imports of soybean oil. The U.S. share of the Tunisian soybean oil import market rose to 17 percent, compared to only 7 percent in 2007. Soybean meal imports continued to be strong, with Argentinean suppliers dominating the market. The first oilseed crushing plant in Tunisian started operation in 2008 and has already imported its first soybeans shipment of U.S. origin.

Executive Summary:

Tunisian olive production for MY 2008 is estimated to be about 750,000 MT; down from last year's harvest of one million MT. Olive harvesting began in early November 2008 and was completed by February. The bulk of the Tunisian olive harvest is processed into various grades of oil by hundreds of olive mills scattered around production areas. In MY 2008, it was estimated that about 60 percent of these mills took part in crushing the new crop. Tunisia's requirements of edible oil are met mostly by imports of crude oils (refined locally) and, to a lesser extent, by its own olive oil production. Olive oil production in MY 2008 is estimated at 150,000 MT, down from 200,000 MT in the previous year. Tunisian olive oil exports in CY 2008 totaled 169,000 MT, valued at $759 million, and higher than the $698 million earned from the exports of 172,000 MT exported in the previous year. Tunisian olive oil exports to the United States, the third export market after Italy and Spain, soared to more than 22,000 MT, nearly 22 percent higher than the quantities shipped in CY 2007.

The overall Tunisian edible oil imports increased markedly in 2008, mostly owing to higher soybean oil shipments (up by 41 percent), with the U.S. market share rising to 17 percent, compared to 7 percent in 2007. Soybean oil exports from South America (Argentina, and to a lesser extent Brazil) continued in 2008 to control the largest market share with 70 percent.

In 2008, the Carthage Grains Co. became the first soybean crushing plant to operate in Tunisia. The crushing plant, which was built following an assurance from the Government of Tunisia (GOT) to provide protection against cheaper soybean meal imports in the form of 17 percent import duties, has a maximum operational capacity of 2,000 MT/day. The first U.S. soybean shipment imported by the Carthage plant arrived in early 2009 and another shipment is scheduled to arrive in April.

Soybean meal imports account for most the country's supply of protein meals, though new-to-market feed ingredients such as corn gluten meal and distillers dried grains (DDG) have been recently used by feed manufacturers, but on a relatively small scale. According to official data, soybean meal import shipments into Tunisia in 2008 are estimated at 267,000 MT, but Tunisian private sector importers put the total imports at a much higher figure of about 328,000 MT.

In March 2008, the GOT decided to remove the customs duties on soybean meal imports. This measure, although was intended to help the livestock producers, would practically reduce the economic viability of the sole oilseed crushing plant in Tunisia which started operation in early 2008. It was reported, however, that a compromise has been reached between the government and the owners of the crushing plant according to which soybean meal imports will be assessed 9 percent import duties while soybeans will be imported at zero duty

Statistical Note: 1-In this report we refer to calendar year as a reporting period instead of the marketing year for all the oilseed products except for the olive oil. This is due to both the lack of soybean and products domestic production and the availability of reliable data on a calendar year basis only. So, for instance, CY 2008 is used instead of MY 2007/2008 for soybean & products. The average CY 2008 exchange rate used for the purpose of this report is: 1.00 US$ equivalent to 1.21 TD

2-The olive oil marketing year runs from Nov 1 through Oct 30 of the following year

Commodities:

Oil, Olive
Oilseed, Soybean

Production:

Tunisia has very limited oilseed production. Olive tree farming is the major domestic source of edible oils. In 2009, the Ministry of Agriculture encouraged some farmers to initiate a small production of rapeseed and sunflowers in order to diversify the supply. It is also reported that an international French group (Lessieur) is considering investment in rapeseed production in Tunisia.

Olive production for MY 2008 (11/08 – 10/09) is estimated at 750,000 MT, down from last year's figure of 1 million MT. This drop in production, which usually alternates with production increase, is a common feature of the predominantly rain-fed olive tree farming system in Tunisia. Harvesting began in early November 2008 and has been completed.

Although the Office National des Huiles (the state-run edible oils board) monopoly was abolished in 2004, the Tunisian olive sector has not yet gained complete autonomy. In fact, in the last few years there has been an ever-increasing role of olive speculators. These olive buyers are neither crushers nor exporters. Some of them have reportedly bought olives on the trees well before the start of the crushing season in an attempt to dictate their prices once the crushing season starts. It is believed that the abolition of the state reference prices as well as the absence of a formal price discovery mechanism, such as an olives exchange, have mostly contributed in wide price fluctuations.

Consumption:

The bulk of the Tunisian olive harvest is processed into various grades of olive oil by numerous olive mills located nearby the olive groves. In MY 2008, it is estimated that nearly 60 percent of the country's 1,700 mills took part in the crushing season. The season started the first week of November and ran until the end of February. In some areas the season's length was shorter due to reduced olive availability. Olive oil mill-gate prices reflect those of olives. The average producer price of olive oil in 2008 was reported to be about 3.5 TD ($2.90) per liter, compared to 4.5 TD ($3.70) per liter the year before.

Trade:

Traditionally, Tunisia does not import oilseeds for processing into protein meal or edible oil. The first oilseed crushing plant (Carthage Grains) in Djebel Oust, about 35 km south of Tunis, started its operation in January 2008. The crushing plant has a maximum operational capacity of 2,000 MT/day. The owners of this plant made their investment decision to build this facility about two years ago following the government's promise to provide protection to the plant from cheap soybean meal imports in the form of 17 percent import duties. However, just after the arrival of the first imported soybean shipment to supply the plant, the government decided to completely remove import duties on imported soybean meal in order to help livestock producers. The government's decision to eliminate the import duties has significantly reduced the ability of the new crushing plant to compete with low price soybean meal imports and thus lowered the chances for significantly increasing the importation of soybeans into Tunisia. The first US soybean shipment imported by the Carthage plant arrived in early 2009 and another shipment is scheduled to arrive in April. For MY 2009, Tunisian imports of soybean from the U.S. are projected to be about 40,000 MT.

Tunisian total oilseed imports rose slightly in 2008, and will likely continue to increase as the GOT continues to pursue a policy of self-sufficiency in meat and milk production.

Commodities:
Meal, Soybean

Production:

Prior to the construction of the Carthage grains crushing plant, Tunisia did not have any oilseed meal production capacity. In 2008, the plant produced about 16,000 MT of soybean meal, but became less competitive after the GOT removed the tax on soybean meal imports in March 2008. It is rumored that lobbyists for the Tunisian soybean meal importers were behind the government's decision to remove the import duties on soybean meal imports. Production of soybean meal is expected to reach 64,000 MT in CY 2009.

Consumption:

Soybean meal consumption is mainly driven by the poultry sector, where it is estimated that 75 percent of the imported soybean meal is used in broiler, turkey and egg productions. The remainder is included in cattle feed rations (dairy and feedlot operations). Tunisian consumption of soybean meal is around 310,000 MT annually. Soybean meal consumption in 2009 is forecast to edge up as a result of a steady increase of consumers demand for milk, meat, as well as poultry production.

Trade:

Soybean meal imports account for almost the country's entire supply of protein meals. Soybean meal is mainly used with other feed ingredients by about 350 feed manufacturers to produce various types of compound feed according to standardized formulas with total production estimated at about 1.7 MT of animal feed annually. New-to-market feed ingredients derived from corn such as corn gluten meal, and more recently, distillers dried grains with soluble (DDGS) are now used by feed formulators, though on a relatively small scale.

Tunisia's soybean meal imports over the last five years were as follows:

Tunisian Soybean Meal Imports

	Calendar Year

Measure	2004	2005	2006	2007	2008
Quantity (1000 MT)	391.2	271.4	240.1	257.8	266.9
Value ($ million)	125.8	70.2	59.2	80.5	122
CIF Unit price ($/MT)	321.6	258.8	246.6	312.3	457.1
Year-on-year quantity growth	+44.7 %	- 30.6 %	-11.5%	+7.4%	+3.5%

Tab 1-Source: Institute National de Statistiques (INS)

According to official data, soybean meal import shipments into Tunisia in 2008 stayed at a similar level to that of 2007, despite increased import prices on average by 46 percent. Tunisia's soybean meal imports are mostly driven by an inelastic and quite predictable demand owing to a short production cycle in the poultry sector, the main user of soybean meal. However, it is worth noting that according to trade data obtained from Tunisian importers, a more accurate estimate for soybean meal imports in CY 2008 is about 328,000 MT, a much higher figure than the officially reported of 267,000 MT. It is projected that soybean imports in 2009 would remain strong as the poultry industry is expected to maintain a steady growth.

Owing to their highly competitive prices, Argentinean soybean meal exports captured the entire Tunisian market in CY 2008. In general, imports from the United States occur during the first few months of the calendar year before the South American new crop becomes available starting from April-May. U.S. soybean meal exports to Tunisia in CY 2008 were insignificant to report, while there were no imports from the US during CY 2007. In addition to the customary price disadvantage to Argentina, the bankruptcy of a local importer who used to rely on U.S.-origin combined shipments (corn + soybean meal) will most likely reduce the opportunities for importing U.S.-origin soybean meal into Tunisia, at least for the forecast period of this report.

On the exports side, Tunisia exported a small quantity of soybean meal to Algeria and Libya in 2008.

Commodities:
Oil, Olive
Oil, Soybean

Production:

Olive oil is the only edible oil produced in Tunisia on a commercial scale. In 2008, about 5,000 MT of soybean oil were produced by the Carthage grains crushing plant. Domestic production of soybean oil is expected to increase slightly in 2009 amounting 20,000 MT.

Tunisia's requirements for edible oil are met by imports of crude oils (refined locally) and, to a lesser extent, by its own olive oil production. Olive oil production in 2008 is estimated at 150,000 MT, down from 200,000 MT in the previous year.

Consumption:

Domestic olive oil consumption is very price-elastic: it varies from a maximum of 70,000 MT to about 30,000 MT. Price formation of olive oil is mainly driven by the demand/supply equation in the EU market. The EU market usually receives about 90 percent of Tunisia's exports. As a result of reduced demand from EU clients, the average export price of Tunisian olive oil declined by 37 percent in 2008, and consequently domestic consumption is projected reach 60,000 MT in 2009.

Regardless of the size of the domestic crop, olive oil remains relatively expensive edible oil and thus unaffordable for a large part of the Tunisian households, despite the expected consumption rise in 2009. Tunisian consumers rely instead on cheaper vegetable oils, mainly imported soybean oil, and more recently corn oil, which are refined and bottled locally. Olive oil tends to be used as an occasional salad dressing whereas imported vegetable oils are used in every day cooking. Corn oil is considered as a mid-scale product positioned between low-quality subsidized cooking oil and up-scale olive oil.

Consumption of margarine produced locally using palm, coconut and to a lesser extent soybean oil, is growing at the average pace of 7 percent per year.

Trade:

Tunisian olive oil exports in CY 2008 totaled 169,000 MT, valued at $759 million and up from $698 million earned from exports in the previous year. Tunisian olive oil exports to the United States, the third export market after Italy and Spain, soared to more than 22,000 MT, nearly 22 percent higher than the quantities shipped the year before. For 2009, Tunisia olive oil exports are expected to face difficulty due to decreased international demand and strong competition in major export markets, hence export revenues are projected to decline.

Export Trade Matrix Olive Oil

Country	**Tunisia**	**Units 1,000 MT**	
Commodity	*Oil, Olive*		
Time period	*CY*		

Exports for	2007		2008
U.S.	18	U.S.	22
Others		Others	
Italy	101	Italy	89
Spain	37	Spain	38
Total for Others	138		127
Others not listed	16		20
Grand Total	172		169

On the imports' side, Tunisia continues to rely heavily on soybean oil to meet household needs of vegetable oils. The average price of vegetable oils imported soared 60 percent in 2008. The breakdown of the Tunisian edible oils imports in the last five-year period is shown in the table below:

Tunisian Vegetable Oil Imports (1000 MT)

	Calendar Year				
Product	**2004**	**2005**	**2006**	**2007**	**2008**
Soybean oil	174.6	171.8	181.1	168	237.6
Palm oil	30.0	33.9	51	60.2	60.3
Corn oil	38.9	88.9	115.9	47.4	46.0
Other oils, including sunflower seed oil	12.8	7.8	12.2	20.5	16.5
Total	**256.3**	**302.4**	**360.2**	**296.1**	**360.4**

Tab 2-Source : Institute National de Statistiques (INS)

In 2008, the overall edible oils imports increased markedly, mainly owing to higher soybean oils shipments (up 41 percent). The U.S. soybean oil exports usually suffer from lack of price competitiveness in the Tunisia market. However, in 2008 the average CIF prices for soybean oil sourced from the U.S. was about $1066/MT, while the Argentinean soybean oil reached $1360. This may explain why US Soybean oil market share rose to 17 percent in 2008, compared to 7 percent. Soybean oil sourced from South America (Argentina, and to a lesser extent Brazil) continued in 2008 to control the largest market share (70 percent).

Import Trade Matrix Soybean Oil

Country:	**Tunisia**	**Units 1,000 MT**	
Commodity	*Oil, Soybean*		
Time period	*CY*		
Imports for	2007		2008
U.S.	11	U.S.	39
Others			
Argentina	99	Argentina	121
Brazil	10	Brazil	40
EU	44	EU	35
Total of Others	153		196
Others not listed	4		2
Grand Total	**168**		**237**

Corn oil imports remained stable in 2008, following a 60 percent decline in 2007 from their record level in 2006. This is due to reduced trans-shipments to Libya in the last two years, the main export destination for locally refined corn oil and a sluggish domestic consumption as a result of higher retail prices. Corn oil imports, roughly made up of 50 percent crude oil and 50 percent refined oil, were sourced from the United States to the tune of 78 percent. The U.S. market share has significantly declined from its highest level of 95 percent in 2006, with Argentina and Brazil gaining ground and denting the U.S. predominance of this import market.

Policy:

A-The GOT policy concerning edible oils continues to aim at the following objectives:

- To promote the export of the olive oil, given the high value of this oil and the country's hard currency needs,

- To fulfill the bulk of the domestic demand through imports of crude soybean, corn and palm oils at the lowest cost possible. Those imports, carried over by the State-run National Oil Board (ONH), are handed over to local refiners according to a toll refining quota system, and

- To subsidize the vegetable oil thus obtained and marketed by ONH in order to maintain a relatively low price at the retail level. The GOT, through the Compensation Fund (Caisse Generale de Compensation) regularly writes off the deficit incurred by the ONH stemming from the difference between the actual production cost and the retail price.

A noticeable policy development during the reporting period is the lowering of customs duties and VAT on a list of edible oils to offset the sizeable increase of prices of virtually all commodities. Consumer subsidies worth $ 150 million in CY 2008 (up 36 percent) funneled through the compensation fund to cushion retail prices against international price increases. In order to reduce the weight of theses subsidies in the state budget, the GOT has recently decided to stop providing subsidies to vegetable oil consumption by hotels and restaurants and to limit these subsidies to only households and the poor.

B-The GOT policy concerning oilseeds meals continues to aim at the following objectives:

- To diversify oilseeds meal imports using a price-driven approach (rapeseed and sunflower).

- To compensate the shortage of meal-yielding crops by the development of a domestic production of triticale and leguminous plants.

With regard to soybean meal, the main policy development in 2008 was the Government of Tunisia's measure to completely remove customs duties on imports of soybean meal. This measure alleviates pressure on livestock producers but could reduce the economic viability of the only oilseed crushing plant that started operation less than a year ago. It was reported recently that a compromise between the government and the crushing plant owners was found and that soybean meal imports will be taxed at 9 percent while soybeans will be imported free of taxes. As a result, the plant would be able recover and economically function.

Production, Supply and Demand Data Statistics:

PSD Soybean Meal

Meal, Soybean Tunisia	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Oct 2007			Market Year Begin: Jun 2008			Market Year Begin: Oct 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Crush	0	950	0	0	1,085	0			0
Extr. Rate, 999.9999	0.	1.	0.	0.	1.	0.			0.
Beginning Stocks	0	9	0	0	9	20			46
Production	0	740	0	0	845	16			64
MY Imports	390	890	258	410	900	328			280
MY Imp. from U.S.	0	50	0	0	75	0			0
MY Imp. from EU	0	190	0	0	150	0			0
Total Supply	390	1,639	258	410	1,754	364			390
MY Exports	0	15	7	0	15	3			30
MY Exp. to EU	0	0	0	0	0	0			0
Industrial Dom. Cons.	0	0	0	0	0	0			0

Food Use Dom. Cons.	0	0	0	0	0	0			0
Feed Waste Dom. Cons.	390	1,615	231	410	1,729	315			315
Total Dom. Cons.	390	1,615	231	410	1,729	315			315
Ending Stocks	0	9	20	0	10	46			45
Total Distribution	390	1,639	258	410	1,754	364			390
CY Imports	390	880	257	410	0	328			315
CY Imp. from U.S.	0	40	0	0	0	0			0
CY Exports	0	1	7	0	0	3			30
CY Exp. to U.S.	0	0	0	0	0	0			0
SME	390	1,615	231	410	1,729	315			315
TS=TD			0			0			0
Comments									
AGR Number									

Comments To Post

PSD Soybean Oil

Oil, Soybean Tunisia	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Oct 2007			Market Year Begin: Oct 2008			Market Year Begin: Oct 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Crush	0	0	0	0	1,085	0			0
Extr. Rate, 999.9999	0.	0.	0.	0.	0.	0.			0.
Beginning Stocks	0	0	0	0	0	15			20
Production	0	0	0	0	195	5			20
MY Imports	200	168	168	150	75	237			200
MY Imp. from U.S.	15	11	11	15	0	39			50
MY Imp. from EU	25	44	44	25	0	35			35
Total Supply	200	168	168	150	270	257			240
MY Exports	0	0	0	0	5	9			9
MY Exp. to EU	0	0	0	0	0	0			0
Industrial Dom. Cons.	0	0	0	0	30	0			0

Food Use Dom. Cons.	200	153	153	150	235	228			200
Feed Waste Dom. Cons.	0	0	0	0	0	0			0
Total Dom. Cons.	200	153	153	150	265	228			200
Ending Stocks	0	15	15	0	0	20			31
Total Distribution	200	168	168	150	270	257			240
CY Imports	200	168	168	150	0	237			200
CY Imp. from U.S.	15	11	11	15	0	39			50
CY Exports	0	0	0	0	0	9			9
CY Exp. to U.S.	0	0	0	0	0	0			0
TS=TD			0			0			0
Comments									
AGR Number									
Comments To Post									

PSD Olive Oil

Oil, Olive Tunisia	2007			2008			2009		
	2007/2008			**2008/2009**			**2009/2010**		
	Market Year Begin: Nov 2007			**Market Year Begin: Nov 2008**			**Market Year Begin: Nov 2009**		
	Annual Data Displayed		**New Post**	**Annual Data Displayed**		**New Post**	**Annual Data Displayed**		**Jan**
			Data			**Data**			**Data**
Area Planted	0		0	0		0			0

Area Harvested	0		0	0		0			0
Trees	0		0	0		0			0
Beginning Stocks	69		69	49		51			21
Production	200		200	180		150			200
MY Imports	0		0	0		0			0
MY Imp. from U.S.	0		0	0		0			0
MY Imp. from EU	0		0	0		0			0
Total Supply	269		269	229		201			221
MY Exports	180		178	175		120			175
MY Exp. to EU	160		133	150		100			130
Industrial Dom. Cons.	0		0	0		0			0
Food Use Dom. Cons.	40		40	40		60			46
Feed Waste Dom. Cons.	0		0	0		0			0
Total Dom. Cons.	40		40	40		60			46
Ending Stocks	49		51	14		21			0
Total Distribution	269		269	229		201			221
CY Imports	0		0	0		0			0
CY Imp. from U.S.	0		0	0		0			0
CY Exports	170		172	175		169			130
CY Exp. to U.S.	20		18	20		22			19
TS=TD			0			0			0
Comments									
AGR Number									